



FOR IMMEDIATE RELEASE
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HUSBAND AND WIFE SENTENCED TO PRISON FOR BANKRUPTCY FRAUD

TUCSON – United States District Judge John M. Roll sentenced John Peter Harms, 68, of Clayton, Washington, to 24 months in prison, and his wife, Donna May Harms, 68, to six months in prison for their roles in a fraudulent bankruptcy filing. The July 31 sentencing occurred after John Peter Harms pleaded guilty in September 2006 to Concealment of Assets in Bankruptcy. Donna May Harms had pleaded guilty in October 2006 to False Declarations in Bankruptcy.

On November 30, 2000, John and Donna Harms quit claimed their house in Otis Orchards, Washington, and two residential parcels of land in Spokane County, Washington, to David Sturm, a laborer who did odd jobs for them. Sturm did not pay the Harms for these properties, and John and Donna Harms continued to live in the house, and paid the property taxes for these three properties during the time the properties were in Sturm's name.

On May 6, 2003, the couple filed a voluntary petition for bankruptcy under Chapter 7 of Title 11 in the United States Bankruptcy Court for the District of Arizona. The only assets declared by John and Donna Harms in their bankruptcy petition were an RV Lot in Apache Junction, Ariz., valued at \$40,000, and personal property valued at \$4,800. Assets that were fraudulently concealed and not disclosed in the bankruptcy petition included: (1) the residence located in Otis Orchards, Washington; (2) two undeveloped residential parcels in Spokane County, Washington; (3) \$52,406.04 withdrawn from an Ameritrade account, and; (4) a bank account with a balance of \$1,892.85.

On August 15, 2003, the Harms' received their discharge in bankruptcy, relieving them of paying back the \$375,850 in credit card debt that they listed in their bankruptcy petition. This credit card debt represented the expenses associated with building the house in Otis Orchards, Washington.

Approximately three months after the Harms' received their discharge in bankruptcy, Sturm quit claimed back to the Harms the house in Otis Orchards, Washington, and one of the residential parcels of land in Spokane County. On November 17, 2003, John and Donna Harms sold the residential parcel, and received net proceeds of \$27,190.84.

On December 22, 2004, the Harms' refinanced the house in Otis Orchards and withdrew \$489,390.49 of the loan proceeds in cash. A portion of the loan proceeds were used to buy a residence in Mesa, Ariz. The Harms let the house in Otis Orchard go into foreclosure soon after it was refinanced.

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As part of the defendant's plea agreements, they agreed to transfer the Mesa residence to the Trustee for the Bankruptcy estate to satisfy the claims of creditors. Additionally, the defendants agreed to forfeit \$188,900 in currency seized on June 15, 2006 during a search of the Mesa residence.

The investigation in this case was conducted by the United States Trustee's Office in Phoenix. The prosecution was handled by Eric Markovich, Assistant U.S. Attorney, District of Arizona, Tucson.

CASE NUMBER: CR-06-00946-TUC-JMR
RELEASE NUMBER: 2007-174(Harms & Harms)

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